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8 November 1982

MEMORANDUM FOR: Acting Director of Central Intelligence
 FROM: Executive Director
 SUBJECT: PFIAB November 1982 Meetings

1. You are scheduled to meet with the PFIAB on 10 November from 1530 to 1645 hours. [] will accompany you and present a briefing on covert action. You should be aware that the Board is interested in your comments about the arrest of Geoffrey Prime. An agenda for the Board's meetings is attached. []

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2. [] CPAS, will open the Board's meeting with a current intelligence briefing on 10 November. Bob Gates and [], CRES, will discuss Soviet camouflage, concealment, and deception the same day beginning at 1045 hours. John Stein and [] are scheduled to brief on counterintelligence at 1145 hours on 11 November. []

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3. The Intelligence Community Staff asked the Community to propose topics for discussion with the Board. NSA suggested a briefing on SIGINT's contribution to the collection on narcotics trafficking and provided a briefing paper for your use. NSA believes this topic may be of interest to the Board but is not pressing for its inclusion in the briefing. (S)

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 Charles A. Briggs

Attachments:

- A. Agenda
- B. World Brief []
- C. NSA Brief []
- D. NSA & SAFSS Interaction with PFIAB Since 8 September 1982
- E. CIA Interaction with PFIAB Since 8 September 1982

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PRESIDENT'S FOREIGN INTELLIGENCE ADVISORY BOARD

Bi-Monthly Meeting in Room 340 OEOB

AGENDAWednesday, 10 November 1982

8:30 - 8:45	Current Intelligence Briefing, [redacted] Senior Current Intelligence Officer (CIA)	25X1
8:45 - 9:15	Chairman's Time	
9:15 - 10:30	"Scientific Communication and National Security," Dr. Frank Press, President, National Academy of Sciences	
10:30 - 10:45	Break	
10:45 - 11:45	Soviet Camouflage, Concealment, and Deception, Mr. Robert Gates, Deputy Director for Intelligence (CIA)	
11:45 - 12:15	START Task Force Up-date	
12:30 - 2:15	Lunch at Blair House. Guest: William P. Clark, Assistant to the President for National Security Affairs	
2:30 - 3:30	U.S. Counterintelligence, Adm (Ret'd) Bobby Inman, former Deputy Director of CIA	
3:30 - 5:00	Intelligence Update Discussions, Mr. John McMahon, Deputy DCI	

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PRESIDENT'S FOREIGN INTELLIGENCE ADVISORY BOARD

Bi-Monthly Meeting in Room 340 OEOb

AGENDA

Thursday, 11 November 1982

8:30 - 2:00 Counterintelligence Update

8:30 - 9:30 An Overview of Counterintelligence,
[redacted]
Intelligence Community Staff;
Mr. Kenneth E. DeGraffenreid,
National Security Council Staff

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9:30 - 10:30 Status Report: Interagency Group -
Counterintelligence, Mr. Edward J. O'Malley,
Chairman (FBI)

10:30 - 10:45 Break

10:45 - 11:45 Status Report: Interagency Group -
Countermeasures, Gen. (Ret'd) R.G. Stilwell,
Chairman (DoD)

11:45 - 12:30 Counterintelligence Operations,
Mr. John H. Stein, Deputy Director for
Operations; [redacted] Assistant
Deputy Director for Operations (CIA)

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12:30 - 2:00 Working Luncheon on Counterintelligence,
Dr. Martin Anderson

2:00 - 2:30 Status of Independent Economic Study,
Mr. Lionel H. Olmer, Under Secretary for
International Trade (Department of Commerce)

2:30 - 3:00 International Monetary Crisis, Mr. Leo Cherne

3:00 - 4:00 Latin American Task Force Update,
Dr. Paul Seabury

4:00 - 5:30 Executive Session

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DDCI Remarks to PFIAB, November 1982,
on World Events Affecting the US *

I will review briefly the events of the last month, updating the trends and their significance of issues of major importance to the United States that were covered in last month's briefing to you.

1. Soviet matters. No new Soviet foreign policy initiatives have been noted. In Poland, today (10 Nov) is the second anniversary of Solidarity's official recognition. The Soviets are probably generally satisfied with the way in which the Polish government has handled Solidarity's call for nationwide strikes to mark the anniversary. It appears that the regime has things well in hand and that the strikes will not be widespread. This does not mean the end of civil strife in Poland, but the political clout of Solidarity has clearly dissipated. The next period of potential strife and demonstrations is 13 December, the anniversary of the imposition of martial law. We have some reports that suggest the regime may try to forestall such demonstrations by ending martial law before the 13th.

At home in the USSR, Brezhnev recently gave a speech to top Soviet military brass that was probably not very reassuring to them, despite press efforts to portray it that way. The event

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itself was highly unusual because Brezhnev and five senior Politburo members were there, including the two leading contenders in the succession, Chernenko and Andropov. The military is probably unhappy about the resources they are to get, and Brezhnev said nothing about any new defense programs. A likely interpretation of his remarks, and of Chernenko's follow-up speech, is that the stringencies in the Soviet economy may have to be shared increasingly by the military as well.

2. Lebanon. The crisis in Lebanon continues to preoccupy the major players in the Middle East. President Amin Jumayyil has demonstrated keen political skills since he assumed power after his brother's assassination, and he has made some cautious progress toward reconciling Lebanon's many factions. His visits to the US, France, Italy, and Morocco have helped boost further his status at home. Amin still faces enormous problems, however, including disarming the militias, gaining firmer control over his own Phalangist fighters, and rebuilding the armed forces.

Negotiations are just beginning in earnest for the withdrawal of the Israeli and Syrian forces. It seems certain that the US will have to assume a larger peacekeeping role to secure their withdrawals. Both Tel Aviv and Damascus seem prepared to withdraw, although the negotiations are bound to be difficult. The September massacre in the Beirut refugee camps has opened new splits in Israeli politics and served to rein in the hawks like Defense Minister Sharon. The Syrians are well aware of their military inferiority despite continued Soviet resupply activity.

A key sticking point will be the PLO presence in northern Lebanon, which Israel demands must be removed. Some 13,000 PLO fighters remained in Lebanon after the Beirut evacuation last August, and perhaps 2,000 or more evacuees have reinfiltrated into Lebanon to join them. [REDACTED]

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reports show the Palestinians have transferred their damaged political and military apparatus to the Biqa' Valley and areas around Tripoli. It is likely an armed Palestinian presence will remain in these areas for the foreseeable future.

The USSR's inability to affect the outcome of, or capitalize on, the Israeli invasion of Lebanon caused them initial serious losses of prestige and influence within the Arab world. The Soviets have, however, already begun to recoup some of their losses through their one dependable asset -- military assistance. Moscow has already replaced much of the weaponry Syria lost during the conflict and, more significantly, is upgrading Syrian air defenses against any future Israeli strikes. In the broader context of Arab-Israeli relations, Moscow will work diligently to block the emergence of a US-sponsored Arab-Israeli settlement that would exclude the USSR and will seek to prevent a further deterioration of its position with Iran and Iraq.

While US relations with the moderate Arabs were shaken by the Lebanese crisis, the President's 1 September peace initiative regained some of the lost ground. Although key parties to the Palestinian dispute have not "signed on" to the initiative, the proposal has forced to the surface the kind of intensified

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discussion and debate within both the Arab and Israeli camps that it was intended to spark. The longer-term trends in US-Arab ties will continue to depend on Arab reading of US resolution to press ahead with additional steps in the peace process.

3. Iran-Iraq War. The two-year war continues to simmer and sometimes flare up, with no evidence of progress toward a negotiated end to the conflict and little optimism among any of the parties attempting to mediate such an end. While maintaining its political goals in pursuing the war -- most importantly, the downfall of Saddam Hussein -- Iran has shifted its military strategy away from the unsuccessful mass attacks of this summer toward a more selective policy of limited attacks. Iran's near term goal is to regain control of the last Iraqi-held enclaves on Iranian territory. Iran would likely also exploit openings to seize Iraqi territory.

Within both countries, the leadership remains intact, with Saddam Hussein's position at least temporarily bolstered by his military "successes" and the purges he engineered. Khomeini and the clerics have a strong grip on power and appear to be laying the groundwork for the post-Khomeini transition.

Tehran is making striking progress in rehabilitating its balance of payments position. Aggressive oil price discounting leading to higher sales has resulted this year in a six billion dollar increase in oil revenues over 1981. The regime's conservative domestic economic policies have, however, yielded only minimal improvements in living standards for the Iranian populace. Iraq, on the other hand, is suffering increasingly

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harsh economic strains. Its only remaining oil export avenue is the Turkish pipeline, keeping Iraqi oil exports at 700,000 barrels per day. Iraq is, as a result, increasingly dependent on its Gulf Arab benefactors to keep its economy afloat.

4. Mexico's financial distress. Mexico continues in severe financial difficulty. It devalued the peso during the month and will probably have to devalue it further. Some progress was made on working out a memorandum of agreement with the IMF, and it is probable, although not certain, that such a memo will be signed by Lopes Portillo before he leaves office.

5. Risks to the international financial system. Problems from LDC indebtedness are continuing to spread and to cause increased concern among bankers and governments about the coping ability of the international financial system. The inability of countries like Mexico and Argentina to get loans has spread to Brazil (second to Mexico in size of total debt). Bankers are curtailing loans to Brazil, and countries like it, not just because their assessment of Brazilian domestic economic policies has turned negative, but also because they are nervous about high bank exposure in the present world financial environment. Consequently, Brazil must cutback its growth further, not because it has made serious mistakes, but due to problems elsewhere. In short, the international financial problem has replaced the oil problem as the central international economic issue for most industrial country and LDC governments.

6. Central America Cuban and Nicaraguan activities to support extreme left guerrillas in El Salvador and Guatemala, to

attempt to subvert and intimidate Honduras and Costa Rica, and to mount international propaganda efforts to denigrate and isolate those regimes continue unabated.

In El Salvador, after a period of regrouping, training and rearmament, the guerrillas intensified their military actions last month. They have shown tactical coordination and unity. Their operations are intended to continue through the end of December, but the consensus is that they will not achieve any decisive military breakthroughs. At the same time, ultra-rightist elements threaten the fragile governing coalition by their desire to have Gen. Garcia replaced, and by actions to slow the reforms and prevent progress in the two legal cases involving the murder of American citizens.

In Guatemala the guerrilla strength is estimated at about 3,000 and the war continues. As a result of the upsurge in international propaganda against Guatemala, Ambassador Chapin has sent an analysis of incidents of claimed government violence as reported by Amnesty International and other western organizations which demonstrates that in most cases there is a pattern of false, exaggerated, or misreporting -- often derived from extreme left groups as the hidden or unacknowledged sources.

The Honduran government was strengthened by the successful resistance to the demands of the Salvadoran-inspired, extreme-leftist terrorists, who held 105 hostages in September 1982.

Nicaragua is very active on the propaganda front to convince western countries that it is the victim of a US-Honduran conspiracy and that it faces an imminent invasion threat. Their

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success in obtaining a Security Council seat was a major propaganda gain for Nicaragua. At the same time, the military build-up continues with the addition of four Polish-made helicopters reportedly sent by the Libyans; Moscow reportedly has agreed to deliver three Soviet-made helicopters soon. Although anti-Sandinista strength and operations have increased recently, the consensus is that the anti-Sandinista groups could not defeat the Nicaraguan forces in the next months. Attacks across the border by the anti-Sandinistas have become more prevalent and will probably increase.

7. Pakistan's nuclear weapons development. The Pakistanis continue to move toward the fabrication of a nuclear explosive device. They are buying components and equipment for building a nuclear implosion weapon and reportedly will start up their reprocessing plant for extracting plutonium within the next two months or so. President Zia knows that any reprocessing operations -- even those which the Pakistanis may consider "legal" -- could disrupt the US-Pakistani security relationship. No additional information has come to light in the interim bearing on Chinese involvement in Pakistan's nuclear activities or Indian reactions.

8. The Pipeline and East-West economic relations. Particularly over this last month the debate concerning the West Siberia to Western Europe gas pipeline has become closely linked with the entire gamut of issues on East-West economic relations. As you know, a major attempt is under way to try to develop a common approach within the Alliance to East-West

economic relations and to view these relations not solely in a narrow commercial context but also in a broad national security context. A SNIE prepared in September assessed the importance of various aspects of Western economic relations with the USSR to the Soviet economy, the potential impact of different types of restrictions on these relations, and the views of our Allies on these issues. The SNIE finds that:

- o The USSR will depend on exports of gas to Western Europe to avert a decline in hard currency earnings in the 1980s and possibly to increase these earnings in the 1990s.
- o That Soviet access to Western oil equipment and technology is important to the Soviets if they are to avoid a serious decline in oil exports, which currently bring in about one half of total Soviet hard currency earnings.
- o As many other studies have already shown, that imports of military-related goods and technology are important to Soviet military programs.

Concerning the impact on the USSR of possible Western actions, the SNIE estimates that the pipeline now being built will be completed no matter what the US does, but that developing additional sources of natural gas to head off new Soviet-West European gas projects could have a substantial impact on the Soviet economy. Controls on exports of oil equipment to the USSR also could have a significant impact, but our Allies are unlikely to cooperate much. Tighter COCOM controls could retard the

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modernization of Soviet weapons systems and indirectly save the Western countries billions of dollars.

As indicated last month, we have taken a hard look at the question of forced labor on the pipeline. We have picked up [] evidence of such use on the nearby domestic lines and, given past Soviet practice, they almost certainly have used or will use forced labor on the export line. Since work on the line only began last March, it may be some time before we can clearly link forced labor to the export line. It is also possible that, because of all the adverse publicity, the Soviets will try to cover up evidence of forced labor or even conceivably forgo its use on the export line.

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9. Additional, Short Items.

International Terrorism: A rash of anti-American terrorist incidents occurred in West Germany in October. They were perpetrated by West German terrorists and were directed primarily at US military residences in an effort to lower the morale of US military personnel and their dependents. In the Middle East, the Israelis have concluded that their invasion of Lebanon and dismantling of the PLO and other Palestinian apparatuses in Beirut have not set back international terrorist capabilities at all. In fact, international terrorist events have averaged 70 to 80 per month since June 1982, considerably up from earlier months in 1982.

US-Greek Base Negotiations: The discussions to preserve US military facilities began last month -- the third attempt in five years to conclude an agreement. The Greek opening bids, as

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expected, were high and included a request for a US (or NATO) guarantee of the status quo in the Aegean. As negotiations continue, the Greeks are also likely to press for restricting our air-reconnaissance operations directed at Middle East targets and for a time-table for closure of US military bases in Greece. While the stakes are high -- the status of our Voice of America relay stations in Greece also hangs in the balance -- and the Greeks will bargain hard, Prime Minister Papandreu probably realizes that Greek security interests, particularly with respect to Turkey, are better served by retaining the US connection.

Spain: In last month's elections, Felipe Gonzalez' Socialists won an absolute majority in parliament. The magnitude of their victory will increase pressure from Gonzalez' left and thus complicate efforts to maintain a moderate course. On foreign policy, however, the small play given to such questions during the campaign should give the Socialists room for maneuver. Neither a referendum on entering NATO nor renegotiation of the bilateral bases agreement with the US is probable within the next few months. Rumors of coup plots against the government are likely to persist, but all but the most committed among the military will probably be deterred by the size of the Socialist majority.

Afghanistan: The military stalemate continues, and Moscow seems to be sticking to its strategy of attrition. The Afghan military is no more effective than before, and the government is no more popular. But there are no new signs of a Soviet effort to replace the present Afghan by a coup.

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Somalia: The erosion of President Siad's position has been arrested temporarily as the Saudi military has become absorbed by the Ethiopian military incursions and the resultant US and allied provision of arms. This equipment, however, is not sufficient to expel the Ethiopians, and there are signs of renewed unrest among Somali army officers. As a result, Mogadishu has started pressuring Washington to provide additional military hardware. The internal situation remains basically unstable, and Siad has taken only limited steps to address the nation's economic and political problems.

Ethiopia: Chairman Mengistu in Moscow last month asked Soviet leaders for increased security and economic assistance and the rescheduling, cancelling, or reducing of Ethiopia's approximately \$3 billion military debt. No major new military aid agreements appear to have been made. Enroute home, Mengistu stopped in Libya where he reportedly agreed to receive Libyan oil in lieu of a \$70 million hard currency loan from Tripoli. Agreement on this issue will ease recent strains that have developed between Qadhafi and Mengistu since the signing of the Libyan-Ethiopian-South Yemeni Tripartite pact in August 1981.